

## Message Text

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67

ACTION NEA-09

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 ISO-00 IO-10 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03

FEA-01 PA-01 PRS-01 USIA-06 OIC-02 /134 W

----- 056413

R 171247Z APR 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 1131

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMCONSUL KHAHRAN

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KINSHAHA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L TEHRAN 3572

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

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TAGS: ENRG, IR

SUBJ: PRODUCER/CONSUMER PREPCON: INITIAL IRANIAN REACTION

1. SUMMARY: PRIME MINISTER TOLD AMB THAT PREPCON BROKE UP OVER QUESTION OF INCLUDING OIL PRICE INDEXATION ON AGENDA. AMB REPLIED HIS INFORMATION DID NOT INDICATE THIS. IRAN DEL CHIEF YEGANEH, HOWEVER, APPARENTLY SAID MUCH THE SAME THING TO REPORTERS IN PARIS AS REPORTED IN REUTER DESPATCH. TEHRAN JOURNAL CARRIED EDITORIAL GLAMING DC'S FOR CONFERENCE FAILURE. WE WILL REPORT FURTHER ON GOI REACTION TO PREPCON OVER COMING WEEK OR TWO.  
ACTION REQUESTED: DEPT PLEASE COMMENT ON ROLE, IF ANY, PLAYED BY INDEXATION QUESTION IN BREAK UP OF CONFERENCE.

2. PRIME MINISTER HOVEYDA TOLD AMBASSADOR EVENING OF APRIL 16 THAT PREPCON BROKE DOWN OVER ISSUE OF INCLUDING INDEXING ON AGENDA. HE ADDED THAT GOF PM CHIRAC HAD CALLED ON HIM IN PARIS TO PLEAD FOR "REFORMULATION OF AGENDA PROPOSAL ON INDEXATION," WHEREUPON HOVEYDA TELEPHONED SHAH AND GOT REFORMULATION, WHICH NEVERTHELESS DIDN'T FLOAT. AMBASSADOR REPLIED HIS UNDERSTANDING WAS THAT MEETING BROKE UP NOT RPT NOT BECAUSE OF INDEXING, BUT BECAUSE PREPCON DIVIDED INTO TWO SIDES THAT COULD NOT AGREE ON VERY BASIC ISSUE OF WHAT KIND OF MEETING THE FORMAL CONFERENCE WAS TO BE - ONE TO DISCUSS ENERGY AND RELATED MATTERS OR ONE TO REFORM THE ENTIRE WORLD ECONOMY. USG SIMPLY COULD NOT AGREE TO LATTER, AMB SAID.

3. OUR FIRST REACTION WAS THAT PM HOVEYDA WAS POORLY INFORMED ABOUT WHAT OCCURRED AT CONFERENCE, BUT WE SEE IN APRIL 17 PRESS THAT IRN DEL CHIEF YEGANEH IS MAKING SIMILAR NOISES. ACCORDING REUTER DESPATCH CARRIED IN APRIL 17 TEHRAN JOURNAL, AND KAYHAN INTERNATIONAL, YEGANEH SAID FOLLOWING TO REPORTERS IN PARIS: THE POSITION OF THE GOI IS THAT WE CANNOT CARRY OUT ANY MEANINGFUL DIALOGUE IN THE FINAL CONFERENCE UNLESS IT INCLUDES AS ONE OF THE CENTRAL ISSUES OF DISCUSSION THE QUESTION OF PROTECTION OF PETROLEUM PRICES BY LINKING IT TO CERTAIN OBJECTIVE CRITERIA, INCLUDING THE PRICE OF GOODS IMPORTED BY THE OIL EXPORTING COUNTRIES ON ENERGY, BUT "IT COULD NOT BE CONSIDERED REASONABLE THAT WE SHOULD REDUCE CONFERENCE TO DISCUSSION OF MATTERS OF INTEREST ONLY TO DEVELOPED COUNTRIES," AND SAID OIL EXPORTERS COULD NOT BE EXPECTED TO BE "INDIFFERENT TO RISING PRICES OF EXPORTS OF INDUSTRIALIZED NATIONS AND EROSION OF REAL VALUE OF THEIR (EXPORTERS')  
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INCOME AND WEALTH." ACCORDING REUTER, YEGANEH DENIED MEETING WAS FAILURE, SAID IT WAS USEFUL AND "EFFORTS TO AVOID A RUPTURE HAD SUCCEEDED."

4. TEHRAN JOURNAL APRIL 17 CARRIED LONG EDITORIAL ENTITLED "WEST TO BALEM FOR CONFERENCE FAILURE." EXTRACTS FOLLOW:  
"THE PREPARATORY MEETINGS OF THE INTERNATIONAL ENERGY CONFERENCE COLLAPSED TODAY AFTER NINE DAYS OF BICKERING THAT AT TIMES TOOK

THE FORM OF SCENES FROM THE THEATER OF THE ABSURD. THE FACT THAT THE PREPARATORY MEETING WHICH WAS CHARGED WITH THE RESPONSIBILITY OF SETTING THE AGENDA FOR THE SUMMER ENERGY CONFERENCE FAILED TO PRODUCE ANY RESULTS MUST BE REGARDED WITH UTMOST SERIOUSNESS NOT ONLY BY THE PRODUCING STATES, BUT MORE SO BY THE INDUSTRIALIZED WESTERN COUNTRIES WHO HAVE NO CHOICE BUT TO SHOULDER THE LARGEST SHARE OF THE BLAME FOR THE CONFERENCE FAILURE...

"THE REASONS FOR FAILURE CAN BE SUMMARIEZED SHORTLY - THE WESTERN INDUSTRIALIZED STATES REFUSED TO AGREE TO LOGICAL DEMAND BY THE OIL PRODUCERS THAT MAIN CONFERENCE SHOULD NOT LIMIT ITS DELIBERATIONS TO OIL ALONE. PRODUCING COUNTRIES, ALONG WITH REPRESENTATIVES OF THIRD WORLD STATES, REASONED THAT UNLESS THE FATE OF OTHER RAW MATERIALS IS DISCUSSED IN THE PARIS INTERNATIONAL CONFERENCE, THEN THE OUTCOME WOULD BE INDEED VERY SUPERFICIAL.

THIS DEMAND WAS MET WITH STIFF RESISTANCE EVEN BEFORE PRELIMINARY CONFERENCE IN PARIS GOT STARTED. THE INDUSTRIALIZED STATES FORMED A BLOC BEHIND THE UNITED STATES OPPOSING THIS IDEA, AND PERHAPS TO THEIR SECRET DELIGHT, THE PRELIMINARY CONFERENCE TURNED OUT TO BE AN EMBARRASSING FAILURE.

"THE FAILURE OF THE PREPARATORY CONFERENCE CLD ALSO, IN THE VIEW OF THE MORE PESSIMISTIC OBSERVERS, HERALD ANOTHER ERA OF CONFRONTATION AND NON-COOPERATION AMONG THE INDUSTRIALIZED COUNTRIES AND THOSE WHO PRODUCE THE WORLD'S RAW MATERIALS - INCLUDING OIL. BUT THERE IS STILL TIME TO PREVENT SUCH A CATASTROPHE TAKING PLACE IF THE WESTERN STATES REALIZE THAT THE STRATEGY THEY HAVE ADOPTED WILL LEAD THEM NOWHERE AT ALL AND INSTEAD WILL BRING ABOUT A VERY UNSTABLE AND TENSE SITUATION IN THE WORLD, THAT COULD RESULT IN UNTOLD LOSSES FOR ALL MANKIND.

". MAJORITY OF THIRD WORLD COUNTRIES STILL HAVE UNFORTUNATE DISTINCTION OF BEING ONE-PRODUCT ECONOMIES, SOMETHING THAT REMAINS FROM COLONIAL DAYS WHEN BIG POWERS FAVORED THIS SYSTEM IN ORDER TO BE ABLE EXERT THE MAXIMUM PRESSURE ON THEIR COLONIES.

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THESE COUNTRIES, WHILE THEY HAVE IMPORT OIL AND OIL PRODUCTS AT PRICES THAT HAVE RISEN CONSIDERABLY IN RECENT YEARS, STILL EXPORT THEIR SINGLE PRODUCT AT PRICES THAT DO NOT REFLECT THE REAL VALUE OF THE OODS...

". THIS IS WHY OIL PRODUCERS AND THE THIRD WORLD COUNTRIES PUSHED AT PARIS FOR THE MAIN CONFERENCE TO INCLUDE RAW MATERIALS OTHER THAN JUST OIL. THE INDUSTRIALIZED STATES HAVE MANAGED TO BLOCK THIS SENSIBLE PROPOSAL FOR THE MOEMENT, BUT IF THEY HAVE, AS THEY CLAIM, THE WISH TO CREATE BETTER ECONOMIC CONDITION IN THE WORLD, THEN SOONER OR LATER THEY MUST CHANGE THEIR STAND AND REALIZE THAT ERA OF EXPLOITATION OF ONE COUNTRY BY ANOTHER IS OVER AND GONE FOR GOOD."

5. WE WILL ATTEMPT TO LEARN MORE OF OFFICIAL GOI EVALUATION OF PREPCON NEXT WEEK OR TWO. IN MEANTIME, WUULD APPRECIATE ANY

COMMENT DEPARTMENT CAN PROVIDE OR WHAT ROLE "INDEXATION" QUESTION  
PLAYED IN FAILURE OF PREPCON TO REACH AGREEMENT.  
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